

**Program Proposed Budget**

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	168.25	(0.04)	0.00	168.21	(0.18)	0.00	168.07	168.07
Personal Services	6,737,069	652,045	0	7,389,114	637,211	0	7,374,280	14,763,394
Operating Expenses	1,617,217	52,974	1,263,678	2,933,869	52,978	0	1,670,195	4,604,064
Equipment	24,400	0	0	24,400	0	0	24,400	48,800
Debt Service	0	0	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$8,378,686</b>	<b>\$705,019</b>	<b>\$1,263,678</b>	<b>\$10,347,383</b>	<b>\$690,189</b>	<b>\$0</b>	<b>\$9,068,875</b>	<b>\$19,416,258</b>
General Fund	271,275	(1,482)	396,345	666,138	(6,706)	392,078	656,647	1,322,785
State/Other Special	2,056,466	240,808	867,333	3,164,607	237,541	(392,078)	1,901,929	5,066,536
Federal Special	6,050,945	465,693	0	6,516,638	459,354	0	6,510,299	13,026,937
<b>Total Funds</b>	<b>\$8,378,686</b>	<b>\$705,019</b>	<b>\$1,263,678</b>	<b>\$10,347,383</b>	<b>\$690,189</b>	<b>\$0</b>	<b>\$9,068,875</b>	<b>\$19,416,258</b>

**Program Description**

The Child Support Enforcement Division (CSED) is responsible for pursuing and obtaining financial and medical support for children by establishing, enforcing, and collecting financial support owed by obligated parents. Program staff locates absent parents, identifies assets, establishes paternity, and ensures obligated parents maintain medical health insurance coverage for their dependent children. As required by federal law, services are available to any applicant regardless of income or resource level.

Activities carried out by program staff are authorized in Title 40, Chapter 5, MCA, and are mandated by the federal government in accordance with Title IV-D of the Social Security Act, 42 USC 651 et seq., and 45 CFR, Chapter 3.

**Program Highlights**

<b>Child Support Enforcement Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>Total funding for the division increases 13 percent between the 2005 and 2007 biennia. General fund support for the division more than doubles from \$0.5 million to \$1.3 million, because revenue from other sources is not adequate to support the level of division operations requested</li> <li>The executive budget includes a request to continue funding from the prevention and stabilization fund (\$1.3 million) authorized by SB 485 from the 2003 session. The provisions of SB 485 sunset on June 30, 2005</li> </ul>
<b>Major LFD Issues</b>
<ul style="list-style-type: none"> <li>Child Support Enforcement state special revenue funds will not be adequate to support the division, LFD provides potential options for funding the division</li> <li>General fund support for the division more than doubles</li> <li>Federal funds included in the division budget are inconsistent with the state matching funds</li> </ul>

### Program Narrative

The Child Support Enforcement Division (CSED) pursues and obtains financial and medical support from non-custodial parents. Under federal regulation these services must be available to anyone who applies, regardless of the family income and resource level. Historically, CSED funding has included little or no general fund. For a number of years the division's activities were funded with state special revenue from collections of child support and federal funds. However, in recent years state special revenues have declined, and ongoing funding for the division has been an issue faced by several legislatures. This issue has been included in the legislative budget analysis since the 1997 session. These issues can be summarized in public policy questions such as:

- Should CSED be self-sufficient, relying on collections of state special revenue and federal funds to support the program? Should any level of general fund be used to support this program?
- When state special revenues for CSED are inadequate to maintain the division's operations, what action should be taken? Should CSED state special revenue collections be augmented in some manner, perhaps by charging a sliding scale fee to those utilizing the service<sup>2</sup>? Particularly those families above a certain income and/or resource level? Should program expenditures be reduced?

These issues and questions become more complicated when the potential ramifications of maintenance of a child support enforcement program are considered. Under federal regulation, states must maintain a child support enforcement program that meets the requirements of Title IV-D of the Social Security Act in order to receive federal funding and so that the state is eligible to receive the federal Temporary Assistance for Needy Families (TANF) Block Grant that provides about \$44 million of federal funding annually.

Figure 30 summarizes selected performance data for Montana from federal fiscal 2001 – 2003 annual federal reports. As the figure illustrates, collections distributed to families and the number of cases increased each year. However, staffing

Figure 30  
Summary of Selected Child Support Enforcement Performance Measures

Description	Federal FY 2001	Federal FY 2002	Federal FY 2003
Collections Distributed	\$41,027,136	\$43,450,853	\$44,285,363
Total Expenditures	\$12,366,610	\$12,488,346	\$14,368,225
CSPIA Cost Effectiveness*	\$3.91	\$4.10	\$3.63
Full Time Equivalent Staff	198	160	158
Total Caseload	38,931	40,104	40,983

\*Notes:  
The cost effectiveness ratio is determined by dividing the amount of collections by the dollars expended to support the program.  
CSPIA is the Child Support Performance and Incentive Act of 1998

decreased each year and the cost effectiveness ratio increased between federal fiscal 2001 and 2002 and then decreased between 2002 and 2003. The cost effectiveness ratio measures the dollars of support collected as compared to the dollars expended to support the program.

The preface to the 2003 annual federal report (summarizing these measures) prepared by Sherri Z. Heller, Commissioner of the U.S. Office of Child Support Enforcement, included several interesting

comments about the evolution and changes the child support program has undergone. These comments included:

- “90 percent of the collections were distributed to families...That’s pretty startling, considering that this program started out as a means of recovering the costs of public assistance payments, a sort of reimbursement to the taxpayers for welfare expenditures on children.”
- “But this change also represents a real turn-around in our conception of what our program is for. We now view child support as primarily a means of getting reliable income to families, not as a means of recovering the taxes spent on public assistance.”

These comments point out the changes in focus and to some degree purpose of the child support program as envisioned by the federal government. However, the history and policies in Montana would seem to indicate a continuation of the view of the child support program as a means of recovering costs and reimbursing taxpayers. That view is demonstrated by the

<sup>2</sup> The implementation of a user fee was attempted in FY 1999 but discontinued due to its poor reception. Additionally, the 2003 Legislature considered and rejected proposed legislation to implement a fee for users of this service. Rather, the legislature opted to divert a portion of the tobacco settlement proceeds to support human service programs including child support enforcement services. The legislation (SB 485) implementing the diversion of tobacco settlement proceeds sunsets at the end of the 2005 biennium. However, the executive budget includes a request (including legislation, LC0126) to continue this diversion and use of about \$1.3 million to support CSED. In addition to continuation of the diversion of tobacco settlement proceeds, the executive budget also requests an increase in general fund support for CSED from about \$0.5 million to \$1.3 million between the 2005 and 2007 biennia.

historical policy preference that CSED be self-sufficient, maintaining operations with little or no general fund support. Inadequate state special revenue from current sources has made it difficult for the program to maintain and sustain itself as a self-sufficient program that complies with federal requirements. The augmentation of state special revenue for child support enforcement through imposition of a fee upon users of the service has proven to be a controversial issue and would seem to contradict changes in federal policies aimed at encouraging states to increase the amount of child support collections that are passed through the state to families.

### LFD ISSUE

The current issues surrounding funding for CSED are not new and are similar to the issues and funding situation that the legislature faced during the 2003 session. At that time, the legislature rejected legislation that would have implemented the collection of a fee or charge for collection of child support. In an effort to maintain funding for CSED, the 2003 Legislature passed SB 485, which diverted a portion of the tobacco settlement proceeds to an account to support programs of the department that otherwise would have been downsized or eliminated. CSED received approximately \$1.3 million of funding from this source in the 2005 biennium. Additionally, in FY 2003 the department transferred general fund from other programs in the department to CSED to maintain the program. A portion of the general fund transferred to CSED was available due to the receipt of an enhanced federal medical assistance participation rate (FMAP) for Medicaid. Additionally, the executive budget indicates that a supplemental appropriation of \$857,000 will be requested for FY 2005.

Figure 31 summarizes how the requested budget proposes supporting CSED and other expenditures typically charged to the state special revenue fund for the 2007 biennium. The requested budget proposes using a combination of funds from the child support enforcement state special revenue fund, diversion of tobacco settlement proceeds, and general fund to match federal funds to maintain CSED operations. Depending upon legislative action regarding the diversion of tobacco settlement proceeds, this funding may be “one-time” funding and not an ongoing source of funds.

The legislature has several options, which are not mutually exclusive, for maintaining funding for CSED, including:

- 1) Adopting statutory changes that impose a fee or charge for the use of CSED services<sup>3</sup>
- 2) Adopting statutory changes that continue the diversion of tobacco settlement proceeds and increase the amount of those funds used to support the CSED
- 3) Providing a general fund appropriation to supplement state special revenue collections
- 4) Providing the entire amount of funding (other than federal funds) needed to support the program from the general fund (about \$8.2 million for the biennium) and depositing the revenue that now goes into a state special revenue fund to the general fund instead. Thus, revenues earned by the division would partially offset the appropriation from the general fund.
- 5) Accepting the requested budget proposal, using a combination of funds from the child support enforcement state special revenue fund, diversion of tobacco settlement proceeds, and general fund to maintain the state share of funding for child support enforcement

**Figure 31**  
Child Support Enforcement Division  
Summary of CSED Budget Request  
Summary of CSED State Special Revenue Fund

Description	Actual FY 2004	Estimated FY 2005	Requested FY 2006	Requested FY 2007
<u>Summary of CSED Budget Request</u>				
Revenues:				
CSE State Special Revenue Funds	\$2,707,307	\$2,675,072	\$1,990,929	\$1,901,929
Diversion of Tobacco Settlement Proceeds*	750,000	513,678	750,000	513,678
General Fund Support - CSED	271,275	271,275	666,138	656,647
Federal Funds Estimated, 34/66 Matching Ratio*	6,050,945	6,716,519	6,613,718	5,963,787
Total Revenues (Funds) Available	\$9,779,527	\$10,176,544	\$10,020,785	\$9,036,041
Expenditures:				
Child Support Enforcement Division	9,051,907	9,360,594	10,347,383	9,068,875
Revenues Over (Under) Expenditures	<u>\$727,620</u>	<u>\$815,950</u>	<u>(\$326,598)</u>	<u>(\$32,834)</u>
<u>CSE State Special Revenue Fund Recap</u>				
Revenue - Projected	\$2,756,411	\$2,756,411	\$2,297,274	\$2,294,007
Expenditures:				
Child Support Enforcement Division	2,056,466	2,675,072	1,900,929	1,901,929
Indirect Costs	372,891	372,891	372,891	372,891
SEARCHS (system) Costs	283,395	283,660	278,630	278,656
Subtotal Expenditures	<u>2,712,752</u>	<u>3,331,623</u>	<u>2,552,450</u>	<u>2,553,476</u>
Revenue Over (Under) Expenditures	<u>\$43,659</u>	<u>(\$575,212)</u>	<u>(\$255,176)</u>	<u>(\$259,469)</u>
*Notes				
Although requested as a biennial appropriation this funding is shown allocated between years in the 2007 biennium in the same manner as it was allocated in the 2005 biennium.				
Estimated federal funds assuming all state special revenue and general fund support is used to match federal funds on a 34 percent state share, 66 percent federal funds ratio.				

<sup>3</sup>In the fiscal note to SB 72 from the 2003 session, the department proposed charging a fee that was the lesser of 10 percent of the payment or \$7 per warrant (check) issued. The fiscal note estimates the state share of the revenue generated by this fee would be about \$800,000 per year. Under federal regulations any fee revenue generated as a recovery of costs must be shared with the federal

### Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommended by the executive.

Program Funding Table Child Support Enforcement						
Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01100 General Fund	\$ 271,275	3.2%	\$ 666,138	6.4%	\$ 656,647	7.2%
02187 Child Support State Share	2,056,466	24.5%	1,900,929	18.4%	1,901,929	21.0%
02698 69010-Prevention&Stabilization	-	-	1,263,678	12.2%	-	-
03570 93.563 - Child Support Ivd 66%	5,978,591	71.4%	6,444,284	62.3%	6,437,945	71.0%
03605 93.563 - Child Support Ivd 90/	<u>72,354</u>	<u>0.9%</u>	<u>72,354</u>	<u>0.7%</u>	<u>72,354</u>	<u>0.8%</u>
Grand Total	<u>\$ 8,378,686</u>	<u>100.0%</u>	<u>\$ 10,347,383</u>	<u>100.0%</u>	<u>\$ 9,068,875</u>	<u>100.0%</u>

As the funding table illustrates, the requested budget for CSED is funded with a combination of general fund (7 percent), state special revenue (21 percent) and federal funds (72 percent). However, CSED expenditures in general are funded 66 percent with federal Title IV-D funds, with the remaining 34 percent funded by a combination of general fund and state special revenues.

State special revenues for CSED come primarily from two sources: federal incentive funds, and retention of a portion of the collections made on cases that currently are or have in the past received cash assistance (public assistance/welfare) payments. Additionally, in the 2005 biennium, approximately \$1.3 million of state special revenue from the diversion of tobacco settlement proceeds to the prevention and stabilization fund established in SB 485 was used to support CSED.

#### LFD ISSUE

Please refer to the agency narrative for a discussion of tobacco settlement proceeds.

#### LFD ISSUE

In general the state share of child support enforcement expenditures is 34 percent and the federal share is 66 percent. It is expected that the division will utilize all general fund and state special revenue appropriated to support child support enforcement related activities as match to draw down federal funds. However, the budget as submitted does not include federal funds at a level that reflects this matching ratio. Federal funds are understated in the first year of the biennium and overstated in the second year of the biennium. Additionally, whether or not legislation to continue the diversion of a portion of tobacco settlement proceeds is passed and approved impacts the level of federal funds the division is able to leverage. The legislature may wish to:

- Adjust the amount of federal funds included in the division budget to reflect the general matching rate for CSED expenditures of 34/66 state share/federal funds
- Include an appropriation of federal funds in the legislation that authorizes the continued diversion of tobacco settlement proceeds rather than including these federal funds in HB 2

### Biennial Budget Comparison

Figure 32 summarizes funding for the 2007 biennium compared to the 2005 biennium. Funding for operating costs increases 64 percent due requested increases in consulting and professional services, postage and mailing, and rent costs. Personal services costs increase about 3 percent. General fund support for the division more than doubles, increasing from about \$0.5 million to \$1.3 million for the biennium. State special revenue funds increase 7 percent.

government in the same proportion as the expenditures where charged. The federal share of child support enforcement costs is 66 percent and the state share is 34 percent.

Figure 32  
Child Support Enforcement Division  
Biennial Budget Comparison

Description	2005	2007	Change	Percent
	Biennium	Biennium		
FTE	176.3	168.07	(8.2)	
Personal Services	\$14,380,187	\$14,763,394	\$383,207	2.7%
Operating Costs	2,801,563	4,604,064	1,802,501	64.3%
Equipment & Intangibles	24,400	48,800	24,400	100.0%
Debt Service	14,264	0	(14,264)	-100.0%
Total	<u>\$17,220,414</u>	<u>\$19,416,258</u>	<u>\$2,195,844</u>	<u>12.8%</u>
General Fund	\$542,473	\$1,322,785	\$780,312	143.8%
State Special Rev.	4,731,538	5,066,536	334,998	7.1%
Federal Funds	<u>11,946,403</u>	<u>13,026,937</u>	<u>1,080,534</u>	<u>9.0%</u>
Total	<u>\$17,220,414</u>	<u>\$19,416,258</u>	<u>\$2,195,844</u>	<u>12.8%</u>

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				961,468					951,448
Vacancy Savings				(307,941)					(307,531)
Inflation/Deflation				(1,085)					(1,081)
Fixed Costs				54,059					54,059
<b>Total Statewide Present Law Adjustments</b>				<b>\$706,501</b>					<b>\$696,895</b>
DP 9999 - Statewide FTE Reduction									
(0.04)	(1,482)	0	0	(1,482)	(0.18)	(6,706)	0	0	(6,706)
<b>Total Other Present Law Adjustments</b>									
<b>(0.04)</b>	<b>(\$1,482)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$1,482)</b>	<b>(0.18)</b>	<b>(\$6,706)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$6,706)</b>
<b>Grand Total All Present Law Adjustments</b>				<b>\$705,019</b>					<b>\$690,189</b>

The statewide present law adjustment for personal services equates to about 14 percent of the \$6.7 million in personal services costs that are included in the base budget. The statewide present law adjustment for personal services is large because a number of positions were vacant during the base year in an effort to reduce costs to the level of funding available, and because some staff were performing military duty.

DP 9999 - Statewide FTE Reduction - This decision package reduces general fund support for personal services by \$8,188 for the biennium to reflect the across-the-board personal services funding reduction that was adopted by the legislature for the 2005 biennium.

#### LFD COMMENT

Please refer to the discussion of the across the board personal services reduction included in the State Wide Perspectives, Volume 1 for additional information on this topic.

**New Proposals**

New Proposals										
-----Fiscal 2006-----						-----Fiscal 2007-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6 - Continuation of PSA for Child Support Enforcement (Requires Legislation)										
05	0.00	0	1,263,678	0	1,263,678	0.00	0	0	0	0
DP 191 - Child Support Maintenance Funding										
05	0.00	396,345	(396,345)	0	0	0.00	392,078	(392,078)	0	0
Total	0.00	\$396,345	\$867,333	\$0	\$1,263,678	0.00	\$392,078	(\$392,078)	\$0	\$0

**DP 6 - Continuation of PSA for Child Support Enforcement (Requires Legislation)** - This decision package requests \$1.3 million for the biennium from the diversion of tobacco settlement proceeds to the prevention and stabilization fund. SB 485 of the 2003 session provided this funding for the 2005 biennium (the provisions of SB 485 terminate on June 30, 2005). The department indicates that this funding is necessary to maintain current operating levels in CS&ED. The division must meet federal Title IV-D operating requirements to be eligible for federal funding. Additionally, this is also a requirement in order for the state to be eligible for the federal Temporary Assistance for Needy Families (TANF) block grant. During the 2005 biennium funding from the prevention and stabilization fund was used to maintain current operating levels due to the significant decrease in federal incentive funds caused by a change in federal regulations governing the calculation.

**LFD  
ISSUE**

Please refer to the agency narrative for a complete discussion of the diversion of tobacco settlement proceeds and related issues.

The funding in this decision package is allocated \$631,838 to consulting and professional services, \$315,920 to postage and mailing, and \$315,920 toward rent. The division indicated the funding requested in this decision package would be used to support the various operating costs of the division even though the funds were allocated only to a select number of expenditures. If the legislature approves this decision package it may wish to direct staff to work with the department to allocate the funds to the appropriate operating costs category or to allocate these funds to the category titled unallocated operating costs so that distortion of the appropriation for some operating costs does not occur.

**DP 191 - Child Support Maintenance Funding** - This decision package requests \$788,423 general fund for the biennium to support ongoing operations of the division. State special revenue support for the division has decreased due to a mandated change in the method of calculating federal incentive funds and because income from the retention of a portion of collections related to cash assistance cases has also decreased as caseloads decline. The division must meet federal Title IV-D operating requirements to be eligible for federal funding. Additionally, this is also a requirement in order for the state to be eligible for the federal Temporary Assistance for Needy Families (TANF) block grant.

**LFD  
ISSUE**

Please refer to the division narrative for a discussion of funding and related issues.

The funding in this decision package is allocated to support increases in operating costs.